



ALASKA STATE LEGISLATURE

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DATE: February 6, 2026

TO: Senator Bert Stedman, Chair
Senate Health Finance Subcommittee

Representative Andy Josephson, Chair
House Health Finance Subcommittee

FROM: Senator Elvi Gray-Jackson, Chair
Legislative Budget and Audit Committee

RE: Audit Finding Referral

Legislative audits provide critical insights into areas where agencies may not be meeting standards or complying with requirements, highlighting opportunities for improvement. Addressing these findings promptly strengthens public trust and enhances overall government performance.

With that goal in mind, the Legislative Budget and Audit Committee has implemented an annual review process aimed at identifying the most significant findings and promoting timely corrective actions. This process includes recommending additional legislative follow-up, as needed, to ensure accountability and progress. As part of these efforts, we are forwarding the attached audit findings for your review and consideration during the committee process. Kris Curtis, Legislative Auditor, is available to assist. If you have any questions, please don't hesitate to contact her at Kris.Curtis@akleg.gov or 465-4199.

We appreciate your attention to this matter and your commitment to improving state governance.

DEPARTMENT OF HEALTH

Audit Issue Not Billing the Federal Government for Approximately \$279.8 Million Related to Federal Emergency Management Agency (FEMA) Disaster Grants

Corrective Action Anticipates the finding to be resolved by the end of FY 25.

Single Audit Finding No. 2024-068

The state incurred \$279.8 million of expenditures associated with a federal grant but did not request reimbursement.

The COVID-19 pandemic occurred at the beginning of 2020 and was declared a FEMA disaster (DR-4533) effective April 2020. The Department of Military and Veterans Affairs (DMVA) was the recipient and administrator of FEMA disaster grants. DMVA entered into a reimbursable services agreement with the Department of Health and Social Services (DHSS, which became Department of Health) to provide COVID disaster related services.

As required by the federal grant, DHSS/DOH costs were identified in project worksheets (PW) submitted to DMVA. The PWs must be approved by FEMA. Over the course of the three years, DOH added to and amended PWs ending with 12 FEMA approved PWs by June 30, 2024. Of the \$297.1 million of FEMA approved DOH PWs, \$296.9 million were FEMA approved by October 16, 2023. The majority of expenditures (\$276.4 million) recorded by DOH occurred during or prior to FY 22.

As of June 30, 2024, DOH had not billed DMVA for reimbursement even though almost all PWs were FEMA approved by October 16, 2023. Consequently, DMVA had not billed FEMA for reimbursement. **The impact of not billing FEMA timely was at least \$1.3 million of lost investment revenue each month.**

Audit Issue Unaddressed Shortfalls

Corrective Action Department continues to address the shortfalls with the necessary parties. Such actions could include ratification, billing, and reconciliation. Anticipates finding to be resolved in FY 26.

Single Audit Finding No. 2024-071

One potential shortfall was identified during the FY 22 Single Audit and is still outstanding in the following amount:

<u>Appropriation</u>	<u>Appropriation Title</u>	<u>Amount</u>
HO23 (BFY 2020)	COVID-19	\$215,297,218

Three potential shortfalls were identified during the FY 23 Single Audit and are still outstanding in the following amounts:

<u>Appropriation</u>	<u>Appropriation Title</u>	<u>Amount</u>
H536 (BFY 2019)	MH Home Modifications and Upgrades to Retain Housing	\$308,370
H535 (BFY 2019)	MH Essential Program Equipment	\$211,560
HUBC (BFY 2019)	DHSS – Unbudgeted Capital RSAs	\$248,489

Audit Issue Division of Public Assistance (DPA) Federal Program Findings

Corrective Action DPA reported that it has expanded administrative staff capacity, implemented reconciliations, and is collaborating with federal partners to resolve audit findings. The Supplemental Nutrition Assistance Program (SNAP) interview requirements and verification procedures have been reinstated. Staff training resources and protocols have been improved and implemented. Automated eligibility renewals for Medicaid and CHIP have been expanded. DPA continues to work with contractors to facilitate workload management strategies and timeliness solutions. Audit findings were mainly expected to be resolved by the end of FY 26.

Single Audit Finding No. 2024-052 (SNAP)

DPA did not determine or distribute benefits to school children or children in child care in accordance with the process and timeframes in the federally approved state plan:

- The children in child care beneficiaries were not identified as required by the school year 2020–2021 state plan.
- The per child benefit amount paid to the 15,697 children in child care was understated by \$6.21 and 125 children were included in both the student and the child care benefit eligibility lists.
- Issuance records provided by DPA’s Electronic Benefits Transfer (EBT) contractor, Fidelity National Information Services (FIS), were \$795,659 more than DPA reported

issuances. Furthermore, the FIS report included \$28,992 in duplicate summer 2021 benefit issuances to school children.

- School year 2020–2021 student beneficiaries paid in FY 24 received benefits at least two years late and the children in child care beneficiaries were paid benefits at least 20 months late. Summer of 2021 beneficiaries paid in FY 24 received benefits at least 20 months late.

Single Audit Finding No. 2024-053 (SNAP)

The amount of FY 24 SNAP benefits reported to the United States Department of Agriculture (USDA) as issued by the State’s EBT contractor, FIS, was \$2,628,951 more than the amount of authorized benefits reported in data from DPA’s Eligibility Information System (EIS). Furthermore, FIS could not provide a detailed list of issuances to support the monthly amounts reconciled by DPA staff and reported to USDA. As a result, the audit could not verify the accuracy and completeness of benefit calculations.

Single Audit Finding No. 2024-054 (SNAP)

Of the 42 SNAP cases tested the following errors were identified, and some cases had multiple errors:

- Twenty-two SNAP households’ (52 percent) monthly allotment could not be corroborated by the information in EIS and/or ILINX.
- Twenty-four SNAP applications (57 percent) were not processed timely. Fifteen of the 24 were processed 100 or more days after receipt by DPA, including one application that was processed after 295 days.
- Nine SNAP applications (21 percent) were certified eligible without an interview at initial application or recertification.

Single Audit Finding No. 2024-055 (SNAP)

Daily SNAP electronic benefit transfer (EBT) reconciliations were not performed in FY 24.

Single Audit Finding No. 2024-056 (TANF)

Three of 60 Temporary Assistance for Needy Families (TANF) recipient case files tested lacked adequate documentation to indicate that the participant met all eligibility criteria. Additionally, seven of 60 cases tested had documentation to support individual's eligibility, but lacked sufficient documentation to verify that the key control over compliance occurred.

The State is required to ensure only financially needy families consisting of a minor child living with a parent or other caretaker relatives receive TANF assistance. The State reviews applications, identifies income and financial resources, and makes a determination whether a family is eligible to receive benefits, including the amount of the benefits. As part of verifying

TANF eligibility, the State is required to coordinate data exchanges when making eligibility determinations, including, but not limited to: wage information from the State Wage Information Collection Agency, the State's Income Eligibility and Verification System (IEVS), unemployment compensation information from the Department of Labor, all available information from the Social Security Administration, and information from the United States Citizenship and Immigration Services. The data exchanges are considered a key internal control over allowable costs and eligibility.

Single Audit Finding No. 2024-057 (TANF)

In a statistically valid sample, two of sixty selections showed time coded to the employee's time sheet for the Low-Income Home Energy Assistance Program (LIHEAP) that was later manually transferred to TANF. During the audit, a verbal explanation was given that this was done for budgetary reasons, as they are similar activities that can be coded to both LIHEAP and TANF. However, there was insufficient documentation to support that the transferred time was reasonable under the TANF program. Both of the deficient selections were for the same employee.

Single Audit Finding No. 2024-058 (TANF)

The State was unable to provide documentation to show how the State was monitoring the level of effort and earmarking requirements throughout the year. This monitoring is normally done as a part of reporting for the program.

Single Audit Finding No. 2024-059 (TANF)

One of 60 cases tested had insufficient documentation to verify work hours which resulted in these work activities being reported inaccurately in the ACF-199 report.

Single Audit Finding No. 2024-060 (TANF)

The Federal Funding and Transparency Act (FFATA) reports related to 13 subrecipients were not filed during the audit period. Payments to subrecipients totaled \$2,951,541 in the audit period.

Single Audit Finding No. 2024-061 (TANF)

Fifteen of 60 cases tested lacked adequate documentation to indicate if all components of income verification were gathered and processed correctly. Of the deficient cases (note, some cases had multiple deficiencies):

- Two of 15 cases lacked evidence to show that the State was using EIS to determine eligibility in accordance with the state plan.

- Eight of 15 cases lacked evidence to show the State requested and obtained income verification data from State Wage Information Collection Agency, State unemployment agency, SSA, U.S. Citizenship and Immigration Services, and unearned income from IRS located in the EIS system.
- Seven of 15 cases did not have evidence that the management-level pre-authorization review was performed nor that the individual making determinations for the case signed and authorized each step within EIS.

Although 15 cases had deficient documentation, each case had some form of income verification documented, implying that all participants would likely have been determined to be eligible if all appropriate steps were taken and all required documentation kept.

Single Audit Finding No. 2024-062 (TANF)

If the state agency determines that an individual is not cooperating in regards to establishing paternity or related to a support order, "the TANF agency must (1) deduct an amount equal to not less than 25 percent from the TANF assistance that would otherwise be provided to the family of the individual, and (2) may deny the family any TANF assistance." Two of seven cases tested lacked appropriate documentation to support "waived" penalties.

Single Audit Finding No. 2024-063 (CCDF)

One of 60 case files tested lacked sufficient documentation to clearly document what services one child was receiving and if they were authorized for services during the period under audit.

Single Audit Finding No. 2024-064 (CCDF)

Five of five ACF-696 quarterly reports tested were submitted later than 30 days after quarter end. Three of five FFATA reports tested were not submitted timely.

Single Audit Finding No. 2024-065 (CCDF)

The State developed a sufficient state plan outlining appropriate procedures for ensuring child care providers serving children who receive subsidies are compliant with relevant health and safety requirements. However, one of 27 selections lacked documentation to adequately support that all controls, as outlined in the state plan, were fully followed. The deficient selection had adequate documentation to show that the required monitoring checklist had been partially complete during the required annual facility inspection, however significant portions of the checklist were left blank, leading to concern that the inspector may not have thoroughly reviewed all health and safety compliance requirements.

Single Audit Finding No. 2024-066 (Medicaid/CHIP)

The State is required to ensure applications are reviewed and eligibility determinations are made timely for Medicaid and Children’s Health Insurance Program (CHIP) recipients. Eligibility is redetermined at least every 12 months or when new information is provided from the recipient.

Twenty-four of 60 Medicaid cases tested and 40 of 60 cases tested had timing issues. Issues related to renewals not happening within 12 months of the last determination, determinations not being done within 45 days of the application, and eligibility effective dates earlier than three months prior to the month of application.

Single Audit Finding No. 2024-067 (Medicaid/CHIP)

Twenty-two of 60 Medicaid cases tested and 23 of 60 CHIP cases tested had eligibility determination issues. Issues related to missing support for eligibility determinations, ineligible individuals receiving benefits, missing social security numbers, inappropriate applications, missing IEVS verification, and insufficient case management.